

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Aqua Illinois, Inc.,)	
General Increase in Water)	Docket No. 11-0436
and Sewer Rates)	

**REPLY BRIEF ON EXCEPTIONS OF
THE PEOPLE OF THE STATE OF ILLINOIS**

**The People of the State of Illinois
By LISA MADIGAN, Attorney General**

Janice A. Dale,
Chief, Public Utilities Bureau
Susan L. Satter
Cathy C. Yu
Assistant Attorneys General
Illinois Attorney General's Office
100 West Randolph Street, 11th fl.
Chicago, Illinois 60601
Telephone: (312) 814-1104
Facsimile: (312) 812-3212
E-mail: jdale@atg.state.il.us
E-mail: ssatter@atg.state.il.us
E-mail: cyu@atg.state.il.us

February 1, 2012

The People of the State of Illinois, by Attorney General Lisa Madigan, (the “People” or “AG”) submit the following Reply Brief on Exceptions in response to the rates filed by Aqua on January 26, 2012.

I. Introduction

This case involves Aqua Illinois’s request to consolidate half of its customers, in nine water divisions, into a single tariff. After the Exceptions and Brief on Exceptions were filed, the Company served its response to the ALJ’s Post Record Data Request, showing the rate effect of the Proposed Order. The Company’s filing demonstrates that *only one division, i.e. Ivanhoe, would face a triple digit percentage increase*. Based on this new information, the People submit this Reply Brief on Exceptions.

II. The Commission Should Remove Ivanhoe From The Main Consolidated Group To Alleviate The Rate Shock Resulting From a Triple Digit Percentage Increase.

The People suggested in their Brief on Exceptions that the Commission, in keeping with the principles of single-tariff pricing and avoidance of rate shock, consolidate Ivanhoe with University Park or the Fairhaven/Candlewick Division. We will address each consolidation option as follows:

Consolidation with University Park. The difference in revenues collected from Ivanhoe customers if the University Park rates were applied to it would be \$98,054. In calculating the effect of this proposal, University Park’s rates would increase by 4.6% from what they would be under the Proposed Order (for average usage of 5,000 gallons per month, this would increase to \$26.67 under this proposal compared to \$25.51 under the Proposed Order). Ivanhoe’s rates, on the other hand, would decrease by 43% from what they would be under the

Proposed Order (for average usage of 5,000 gallons per month, this would decrease to \$26.67 under this proposal compared to \$47.56 under the Proposed Order).

Consolidation with Fairhaven/Candlewick. Alternatively, the People suggest that the Fairhaven and Candlewick's rates could be applied to Ivanhoe customers, rather than the rates of the consolidated six systems in the Proposed Order. The difference in revenues collected from Ivanhoe customers under this approach would be only \$57,000. This alternative proposal would increase Fairhaven and Candlewick's rates by 4.7% from what they would be under the Proposed Order (for average usage of 5,000 gallons per month, this would increase to \$36.51 under this proposal compared to \$34.87 under the Proposed Order). Ivanhoe's rates, on the other hand, would decrease by 23% from what they would be under the Proposed Order (for average usage of 5,000 gallons per month, this would decrease to \$36.51 under this proposal compared to \$47.56 under the Proposed Order). This would reduce the percentage increase to a level closer to that of the other divisions.

In either proposal, it is possible to lessen the burden on non-Ivanhoe customers by passing the difference in revenues from Ivanhoe to the larger, five division consolidated group (Oak Run, Ravenna, Hawthorn Woods, Vermillion, and Willowbrook). While the 4.6% and 4.7% increases to University Park and Fairhaven/Candlewick, respectively, in the People's proposals above are relatively minor when compared to the decreases Ivanhoe customers would receive, if the difference in Ivanhoe revenues were absorbed by the main consolidated group, the rate increase to the main consolidated group would be negligible. This is because the main consolidated group has revenues of \$16 million compared to \$2.1 million for University Park and \$1.2 million for Fairhaven and Candlewick. The percentage increase to the rates of the main consolidated group, if it were to absorb the revenue difference from Ivanhoe, would be about

0.5% (for average usage of 5,000 gallons per month, this would mean increases of about \$0.20 per month). This would be in keeping with the goals of consolidation and relieve customers of Ivanhoe, a relatively small division, of a disproportionately large rate increase relative to the larger group of customers. At the same time, the rate increase to the larger group of customers would be negligible. Further, as pointed out in the People's Initial Brief, the smaller increase to Ivanhoe customers is also more consistent with its calculated cost of service, whereas increasing Ivanhoe's rates to the larger consolidated group's rates would result in this small group paying significantly more than its cost of service (in Aqua's original consolidation proposal, Ivanhoe customers were asked to produce \$53,700 more than their stand-alone cost of service, People's Initial Brief at 5).

Therefore, using either University Park or Fairhaven/Candlewick rates for Ivanhoe – rather than the larger consolidation group's rates – is necessary both to avoid rate shock and to more accurately and fairly reflect the calculated cost of service.

III. Conclusion

For the foregoing reasons, the People request that the Commission modify the Proposed Order as recommended herein.

Respectfully Submitted,

People of the State of Illinois
Lisa Madigan, Attorney General

By: _____
Janice A. Dale,
Chief, Public Utilities Bureau
Susan L. Satter
Cathy C. Yu
Assistant Attorneys General
Illinois Attorney General's Office
100 West Randolph Street, 11th fl.

Chicago, Illinois 60601
Telephone: (312) 814-1104
Facsimile: (312) 812-3212
E-mail: jdale@atg.state.il.us
E-mail: ssatter@atg.state.il.us
E-mail: cyu@atg.state.il.us

February 1, 2012